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PROGRESS OF CO-OPERATIVE BANKS IN INDIA

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ABSTRACT Agriculture is the mainstay of the Indian economy because of its high share in employment. There are so many problems in agriculture but agriculture credit is a major problem in rural area. In many developing countries, it has been found that the rural credit market is imperfect in nature. There are substantial variations in the availability of formal credit in rural urban locations. Since the credit5 sector is the 'Prince of Denmark' in the whole apparatus of the cooperative movement, it merits the pride of place in the present study of cooperation. The cooperative banking structure is pyramidal or federal in character. At the base, i.e., at the village level there are primary credit societies upon which the whole edifice of co-operative credit is based. These societies are federated at the district level into a Central Society called the Central Co-operative Bank. At the State level, the district banks are federated into an apex bank. The apex or state cooperative bank in its turn is closely linked with the NABARD which provides considerable financial assistance to cooperative credit structure. This is the set up in regard to short-term financing. The present study is limited only to cooperative credit aspect of agriculture.

KEYWORDS : Occupational Stress, IT Professionals, Siruseri IT Park

INTRODUCTION

Cooperatives play an important role in the socio-economic development of rural masses. A small beginning was made with the enactment of first Co-operative Credit societies Act in 1904. Since the credit sector is the 'Prince of Denmark' in the whole apparatus of the cooperative movement, it merits the pride of place in the present study of cooperation. The cooperative banking structure is pyramidal or federal in character. At the base, i.e., at the village level there are primary credit societies upon which the whole edifice of co-operative credit is based. These societies are federated at the district level into a Central Society called the Central Co-operative Bank. At the State level, the district banks are federated into an apex bank. The apex or state cooperative bank in its turn is closely linked with the NABARD which provides considerable financial assistance to cooperative credit structure. This is the set up in regard to short-term financing. The urban cooperatives however do not exactly fit into this federal structure. The long term credit structure at the moment consists of two-tiers; there are central land mortgage banks at the top. In some states central land development banks operate through their branches. There are, in addition a few industrial banks operating at the state or district level.

OBJECTIVES

(i) to study the Co-operative Movement and credit structure in India; and
(ii) to evaluate the Progress of Co-operative Banks in India.

COOPERATIVE MOVEMENT IN INDIA

The Indian cooperative movement, like its counterparts in other countries of the world has been essentially a child of distress. Based on the recommendations of Sir Frederick Nicholson (1899) and Sir Edward Law (1901), the Cooperative Credit Societies Act was passed in 1904, paving the way for the establishment of cooperative credit societies in rural and urban areas on the patterns of Raiffeisen and Schulze Delitzch respectively. The Cooperative Societies Act of 1912 recognized the formation of non-credit societies and the central cooperative organizations / federations. The state patronage to the cooperative movement continued even after 1947, the year in which India attained freedom. The independent India accepted the concept of planned economy and cooperative organizations were assigned an important role.

Since 1950s, the cooperatives in India have made remarkable progress in the various segments of Indian economy. During the last century, the cooperative movement has entered several sectors like credit, banking, production, processing, distribution/marketing, housing, warehousing, irrigation, transport, textiles and even industries. In fact, dairy and sugar cooperatives have made India a major nation in the world with regard to milk and sugar production. Today, India can claim to have the largest network of cooperatives in the world numbering more than half a million, with a membership of more than 200 million. Of the primary (village) level cooperatives, around 28 percent with 137 million memberships are agricultural cooperatives, dealing directly or indirectly with agricultural sector. The cooperative network in the country is rather strong covering all the villages in the country and more than 67 percent of the households have been brought under the cooperative hold. Cooperatives supply about 46 percent of the total rural credit (including agricultural credit), account for 36 per cent of the total distribution of fertilizers, produce about 55 percent of the total sugar and constitute for 28 percent of the rural fair shops (distributing consumer articles). Though cooperative movement has made remarkable progress in several areas, certain glaring defects have also developed in the movement, which have been, in a way, defeating the very objectives of these institutions. The following are the unique features of Indian cooperative movement.

COOPERATIVE BANKING IN INDIA

Historically, Governments and policy makers have paid more attention to agricultural cooperatives and thus, the growth and development of the Indian cooperative movement is heavily tilted in favour agricultural cooperatives in general and in particular, credit cooperatives. In some areas like dairy, urban banking and sugar, the cooperatives have achieved success to an extent but there are larger areas where they have not been so successful. The cooperative credit movement in modern India, curiously, is a state initiated movement. The state partnership is, perhaps, the unique feature of the Indian cooperative movement. As of today, Government contribution to the share capital of primary agricultural cooperatives accounts for about 7.5 per cent of the total.

Paradoxically, the state partnership which was conceived as a measure for strengthening the cooperative institutions had paved the way for ever-increasing state control over cooperatives, their increasing officialization and politicization culminating in virtually depriving the cooperatives of their vitality as well as their democratic and autonomous character. Dormant membership, lack of active participation of the members in the management, lack of professionalism (and absence of corporate governance), undue political and bureaucratic intervention, have made majority of the cooperatives at the primary level almost moribund. Understandably, this has resulted in weakening of the cooperative edifice. The upwardly transmission of the weaknesses of the primary societies have affected the capabilities of the higher level cooperative federations in so far as their usefulness to the former is concerned.

With regard to agricultural cooperative credit structure, although the quantitative expansion has been somewhat satisfactory, the movement continues to suffer from structural defects and operational deficiencies. The acknowledged operational deficiencies of the cooperative credit structure have been (i) weak recycling of credit, (ii) poor resource mobilization, (iii) ineffective lending and (iv) poor recovery.

The rural credit cooperatives may be further divided into short-term credit cooperatives and long-term credit cooperatives. With regard to short term credit cooperatives, at the grass-root level there are around 92,000 Primary Agricultural Credit Societies (PACS) dealing directly with the individual borrowers. At the central level (district level) District Central Cooperative Banks (DCCB) function as a link between primary societies and State Cooperative Apex Banks (SCB). It may be mentioned that DCCB and SCB are the federal cooperatives and thus the objective is to serve the member cooperatives. As against three-tier structure of short-term credit cooperatives, the long-term cooperative credit structure has two tiers in many states with Primary Cooperative Agriculture and Rural Development Banks (PCARDB) at the primary level and State Cooperative Agriculture and Rural Development Bank at the state level. However, some states in the country have unitary structure with state level cooperative operating with through their own branches and in one state an integrated structure prevails. The organizational structure of the credit cooperatives in India is illustrated in chart I. interestingly, under the Banking Regulation Act 1949; only State Cooperative Apex Banks, District Central Cooperative Banks and select Urban Credit Cooperatives are qualified to be called as banks in the cooperative sector. In other words, only these banks are licensed to conduct full-fledged banking business.

PROGRESS OF CO-OPERATIVE BANKS IN INDIA
The Progress of Co-operative Banks in India for the period 2011-2012 to 2015-2016 has been presented in Table-1

Table-1: Progress of co-operative banks in India (Rs. in Millions)

	Co-operative Years					
	2011-12	2012-13	2013-14	2014-15	2015-16	
State Cooperative Banks	Number	31	31	31	31	31
	Deposits	52,973	68,659	79,150	82,783	86,867
	Loan Advances	57,453	93,883	1,03,588	1,20,065	1,28,400
	Outstanding Loans	48,221	48,079	49,629	52,680	59,756
Central Cooperative Banks	Number	370	370	370	370	370
	Deposits	1,02,986	1,27,623	1,45,404	1,51,438	1,64,768
	Loan Advances	90,162	90,105	1,38,395	1,38390	1,27,564
	Outstanding Loans	91,374	99,529	1,07,266	1,37,300	1,67,529
State Central Land Development Banks	Number	20	20	20	20	20
	Deposits	625	711	759	836	911
	Loan Advances	2,226	2,585	3,205	4178	4394
	Outstanding Loans	10,021	16,621	17,666	19,086	21,579
Primary Agricultural Credit Societies	Number	94,942	95,633	94,647	86,419	68,432
	Deposits	25,689	26,245	35,216	41,372	47,503
	Loan Advances	57,683	58,737	74,938	81,077	1,04,362
	Outstanding Loans	65,666	74,085	76,440	81,877	1,08,913

Source: RBI, Report on Trend and Progress of Banking in India (various issues)

There is no change in the number of State and Central Cooperative Banks. The deposits, loans advanced and outstanding loans observed slight progress in their banks. In the case of Primary Agriculture credit societies the number has been decreased from 94942 in 2011-12 to 68432 in 2015-16 due to reorganization and reforms in Co-operative movement in India. The deposits of PACs observed slight progress. But the loans advanced and outstanding loans increased by 81 per cent 66 per cent during the study period.

ACTION PLAN FOR REFORMS
Over the years, the growing concerns for impairment of credit cooperatives in rural India led to the setting up of the Task Force on Revival of Cooperative Credit Institutions, appointed by the Government of India in 2004. The committee recommended an action plan for reviving and revitalizing the rural credit cooperative institutions through legal measures necessary for facilitating this process. The task force submitted its report in February 2005, and after extensive discussions the revival package was implemented across the country in January 2006. The NABARD was made the implementing agency for the purpose. The revival package was a combination of legal and institutional reforms, capital infusion and technical support for capacity building. The implementation of the action Plan [ADB 2010] of the revival package was perceived to result in the emergence of a strong, self-reliant and well-knit network of rural cooperative credit system. The implementation of the revival package involved in planning and execution of a series of action plans for:

a) Facilitating Legal, Regulatory, and Governance Framework
The state enacted Cooperative Societies Acts (CSAs) were amended for : providing full voting membership rights to all financial service users including depositors in cooperatives; removal of state interventions in all financial and internal administrative matters; capping the equity of participating states at 25 % and restricting participation of state in the boards of cooperative banks to one nominee; giving cooperatives the freedom to access loans from any regulated financial institution and not necessarily from its upper tier and similarly permitting to place their deposits with any regulated financial institution of their choice. State power was also limited from superseding boards, while due emphasis was given to ensuring timely elections. Cooperative banks were brought under the regulatory ambit of the Reserve Bank of India (RBI) and were subjected to prudential norms, including CRAR. Besides, NABARD Act, 1982 and the Banking Regulation Act, 1949 were amended. With these amendments co-operatives were brought under the ambit of banking prudential norms of income recognition, capital adequacy, asset classification and provisioning.

b) Institutional Reforms for Sustainability
Institutional reforms involved implementation of action plans, such as: (i) account standards (ii) management information systems including internal control and audit systems (iii) computerization plan (iv) Human development plan for RCC. PACS were also required to undergo special audits (to assess the extent of accumulated losses as of 31st March 2004), based on uniform accounting criteria and implement plans to phase out cadre-based secretaries in PACSs for greater accountability in functioning of PACSs. Institutional reforms also sought for development and implementation of plans in participating states having ineligible PACS.

c) Financial Package
Financial package was a one-time conditional measure released only on the implementation of the recommendations for legal and institutional reforms with the objective of bringing PACS to an acceptable level of financial health through cleansing of their balance sheets and strengthening their capital base. The financial package was subject to specific conditions. The quantum of financial assistance for covering the accumulated losses of PACS as of 31st March 2004 was determined on the basis of the uniform accounting standard. The special audit ensured that in the event of insufficient provisioning made by the RCC, they do not get undercapitalized. The package assistance initially allowed PACS to reach a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 7 per cent and within a span of three years increased to 9 % to meet the minimum industry standards.

d) Eligibility Norms
All PACS with a recovery level of at least 30% of the demand as on 30th June 2004 were qualified for being covered under the revival package. State governments were obliged to determine the future set up of PACS having recovery levels of less than 30%. State governments were required to take appropriate steps to ensure the flow of agricultural credit to farmers in the operational areas of such non-qualifying PACS. PACS with recovery levels between 30% to 50% received financial assistance in three annual back-ended instalments (at the beginning of each succeeding year), subject to their achieving an incremental increase in their recovery rate of at least 10 percentage points on 30th June 2006 against the benchmark recovery achieved on 30th June 2004, and with an annual increase of 10 percentage points thereafter. Full capitalization was provided to PACS with recovery levels of 50% and above. As and when a PACS would achieve 50% recovery, the entire financial assistance would be released without waiting for the year to year recovery benchmarks.

SUGGESTIONS
i. The Cooperative Banks should try to increase their deposits by opening branches in business areas, improve the services to their clients, introduce different types of deposit schemes and offer competitive rates of interest.
ii. Cooperative Banks should change their loan policies on the basis of crop loan systems.
iii. The Cooperative Banks must maintain adequate liquid resources, margin, Properly scrutiny of loans and should try to qualitative improvement to the staff.
iv. Cooperative Banks should try to co-ordinate between the Board of Management, Members, Depositors and Employees of bank.
v. Accountability and transparency need to be brought in the implantation of the Schemes.

CONCLUSION
Cooperative banks belong to the oldest forms of the collective action in India playing essential role in the realization of the agricultural and in local development. They serve both rural and urban population, and are main banks in India supporting development of agriculture and rural areas. Their key role is to give credits financing various rural based entrepreneurships. Agricultural credits play a number of significant functions of which the primary include the intensification and growth of the agricultural production. In a developing State like Chhattisgarh with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit, particularly at gross root level.

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